

MEMORANDUM



TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

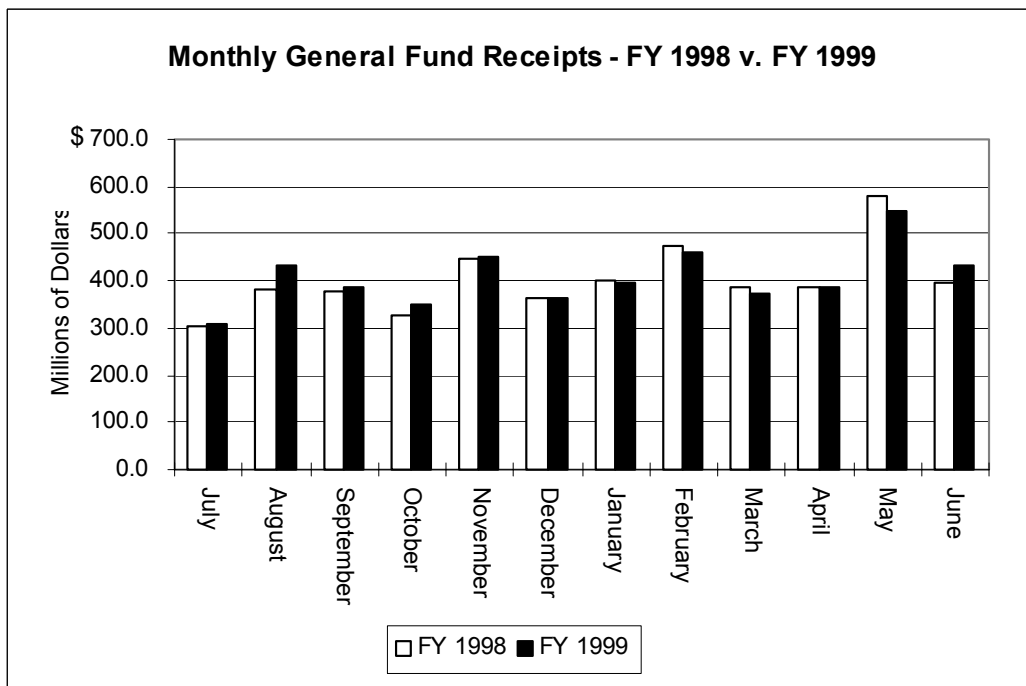
FROM: Dennis C. Prouty

DATE: July 1, 1999

General Fund Receipts Through June 30, 1999

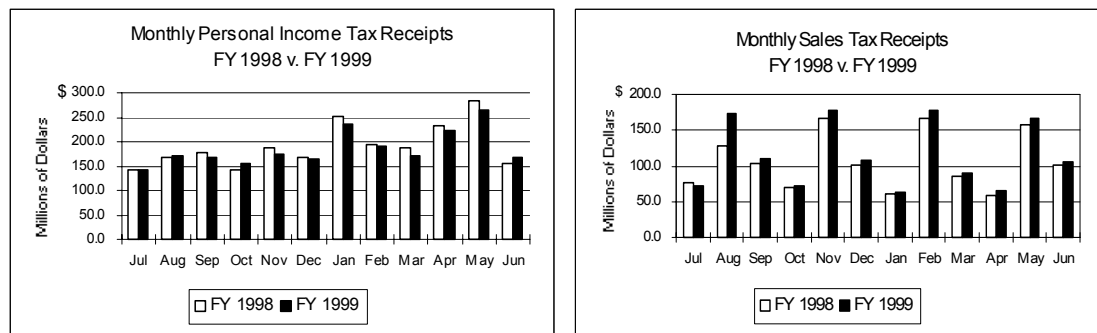
The attached spreadsheet represents total FY 1999 General Fund receipts, with comparable figures for FY 1998. These can be compared to the latest FY 1999 estimate (\$4.918 billion) set by the Revenue Estimating Conference (REC) on April 8, 1999. The estimate represents an increase of \$87.0 million (1.8%) compared to FY 1998.

Adjustments for bills enacted by the 1999 General Assembly will be made during the next meeting of the REC.



FY 1999 Compared to FY 1998

Fiscal Year 1999 revenue growth increased by \$49.0 million (1.0%) compared to FY 1998. This is below the REC estimate of 1.8% for FY 1999 by \$38.0 million primarily due to weaker personal income tax returns. Total June 1999 revenues increased \$33.4 million (8.4%) compared to June 1998.



Gross personal income tax revenues received in June were \$13.1 million (8.4%) more than June 1998. Year-to-date growth in personal income tax is \$54.7 million (2.4%) less than FY 1998. Although FY 1998 withholding payments exhibited strong growth, the effect of the 10.0% income tax cut can clearly be seen in FY 1999 withholding tax receipts. The June growth rate was positive, increasing by 3.6% compared to June 1998. Withholding receipts for FY 1999 were \$2.1 million (0.1%) below the FY 1998 level.

Estimate payments increased in June, posting a gain of \$11.0 million (40.9%) compared to June 1998. Growth in FY 1999 estimate payments stands at \$0.2 million (0.1%) below FY 1998, and the relatively weak performance since January erased the exceptionally strong July and October growth.

The effect of increasing the personal credit from \$20 to \$40 can clearly be seen in income tax return payments. Growth in FY 1999 return payments stands at \$52.4 million (19.8%) below FY 1998.

The REC FY 1999 income tax estimate of \$2.318 billion represents a projected increase of 1.3% compared to FY 1998. Actual FY 1999 personal income tax revenues were \$2.234 billion, a decrease of \$54.7 million (2.4%) compared to FY 1998.

Sales tax receipts in June were \$4.0 million (4.1%) greater than June 1998. Growth in FY 1999 sales tax stands at \$105.7 million (8.3%) compared to FY 1998. Nearly one-third of the annual gain is due to the change in the method of local option tax payments. As directed by HF 729 (Local Option Taxes Administration Act), the Department of Revenue and Finance began making monthly rather than quarterly distributions. Because of passing the old quarterly payment date in August 1997, August 1998 receipts were approximately \$31.7 million greater than otherwise would be the case. This timing factor explains a significant portion of the year-to-date growth in sales tax revenues. The REC estimate for FY 1999 sales tax receipts is \$1.366 billion, an increase of 7.4% compared to FY 1998. Actual FY 1999 sales tax revenues were \$1.378 billion, an increase of \$105.7 million (8.3%) compared to FY 1998.

Corporate income tax receipts in June were \$2.1 million (4.4%) less than June 1998. Return payments were the primary cause of the loss for June. Return payments received in June were \$2.7 million (50.0%) less than June 1998. However, for FY 1999, estimate payments were responsible for nearly all of the annual growth. Growth in actual FY 1999 corporate income tax estimate payments are \$30.3 million (12.1%) above the FY 1998 level.

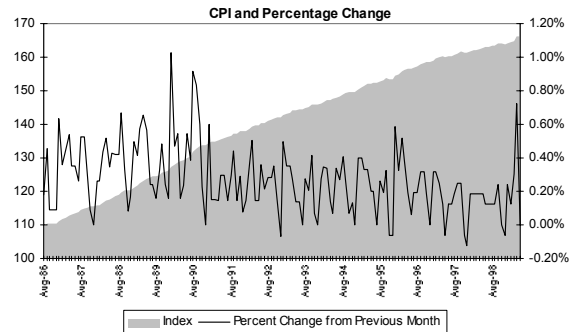
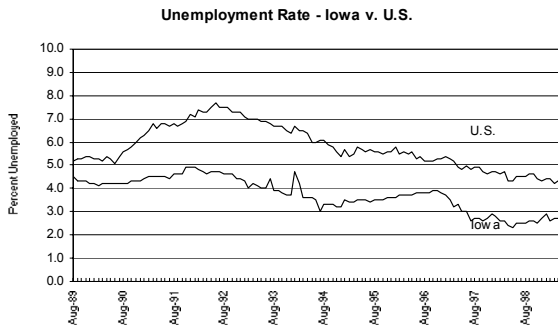
The REC projected FY 1999 corporate income tax receipts would total \$300.1 million, an increase of \$9.4 million (3.2%) compared to FY 1998. Actual FY 1999 corporate income tax revenues were \$321.8 million, an increase of \$31.1 million (10.7%) compared to FY 1998.

Racing and gaming receipts to the General Fund have reached their statutory cap of \$60.0 million. All racing and gaming receipts in excess of \$60.0 million are deposited in the Rebuild Iowa Infrastructure Fund. As a result, activity in these accounts has little direct impact on the General Fund for the remainder of the fiscal year. The REC estimated that \$102.1 million from this source would be deposited to the Infrastructure Account in FY 1999.

Status of the Economy

The seasonally adjusted percent unemployed for the State in May fell from the 2.7% rate in April to 2.6%. The unemployment rate a year ago was 2.3%. Iowa's total May employment registered 1,542,500, down from April's level of 1,546,000. The number of unemployed persons in Iowa stood at 41,500 in May, which is down from April's level of 42,400. The U.S. unemployment rate fell in May to 4.2%, down from March's 4.3% rate.

Consumer prices in May remained unchanged from April's level. The Consumer Price Index (CPI-U) through April 1999 was 166.2 (1983=100), which is 2.1% higher than one year ago. April's large increase, due to an increase in gasoline prices, was not sustained and the index for gasoline decreased by 2.7%. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through April 1999.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616) or Larry Sigel (515-281-4611).

GENERAL FUND RECEIPTS - FY 1999 vs. FY 1998						ESTIMATED GENERAL FUND RECEIPTS			
July 1, 1998, through June 30, 1999, in millions of dollars						in millions of dollars			
	FY 1998		FY 1999		Year to Date	June	FY 98 Actual		FY 99 REC Estimate
					% CHANGE	% CHANGE	FY 1998	Estimate	% CHANGE
Personal Income Tax	\$	2,288.4	\$	2,233.7	-2.4%	8.4%	\$ 2,288.4	\$ 2,318.2	1.3%
Sales Tax		1,271.8		1,377.5	8.3%	4.1%	1,271.8	1,366.0	7.4%
Use Tax		243.0		242.7	-0.1%	-19.5%	243.0	248.8	2.4%
Corporate Income Tax		290.7		321.8	10.7%	-4.4%	290.7	300.1	3.2%
Inheritance Tax		109.8		90.1	-17.9%	22.5%	109.8	86.6	-21.1%
Insurance Premium Tax		108.9		114.3	5.0%	76.0%	108.9	116.9	7.3%
Cigarette Tax		94.6		92.3	-2.4%	-15.5%	94.6	92.6	-2.1%
Tobacco Tax		6.1		6.5	6.6%	0.0%	6.1	6.6	8.2%
Beer Tax		12.7		13.1	3.1%	0.0%	12.7	12.9	1.6%
Franchise Tax		36.4		33.8	-7.1%	2.1%	36.4	38.5	5.9%
Miscellaneous Tax		1.3		1.1	-15.4%	-62.5%	1.3	1.3	3.1%
Total Special Taxes	\$	4,463.7	\$	4,526.9	1.4%	10.1%	\$ 4,463.7	\$ 4,588.5	2.8%
Institutional Payments		70.2		49.7	-29.2%	-42.5%	70.2	46.6	-33.6%
Liquor Transfers:									
Profits		31.0		32.3	4.2%	16.0%	31.0	31.0	0.0%
7% Gross Revenue		9.0		9.0	0.0%	0.0%	9.0	9.0	0.0%
Interest		30.6		34.1	11.4%	-13.2%	30.6	28.0	-8.5%
Fees		65.4		58.3	-10.9%	-31.3%	65.4	59.0	-9.8%
Judicial Revenue		42.9		48.3	12.6%	80.0%	42.9	43.9	2.2%
Miscellaneous Receipts		58.1		61.3	5.5%	-18.2%	58.1	51.9	-10.7%
Racing and Gaming Receipts		60.0		60.0	0.0%	n/a	60.0	60.0	0.0%
TOTAL RECEIPTS	\$	4,830.9	\$	4,879.9	1.0%	8.4%	\$ 4,830.9	\$ 4,917.9	1.8%